

Remarks By  
**Frank Smith, Member of Parliament**  
**St. Thomas More**  
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Subject: Remarks On Budget Communication, 2011

(1) INTRODUCTION

Begin with the usual formalities:

- Thanking people of St. Thomas More
- Party Leadership
- Family (wife and children) for the sacrifices they make for my service in this place and in this role.

(2) The Tragedy

For quite a while we citizens of The Bahamas have been observers of a Bahamian version of the ancient Greek tragedy-comedy with the Prime Minister and Minister of Finance as the principal player.

Six months ago a Member of Parliament resigned his seat- some say with encouragement offered by the Prime Minister of some carrot or the other.

During the weeks of the ensuing bye-election the country was told of what a fabulous job the Prime Minister thought he was doing. The government spent money like it was going out of style, roads paved wherever it looked like one could go; street lights put up; plenty people offered jobs; all in Elizabeth trying to win a seat for one of his new buddies.

This was just four months ago. There was plenty money to do all sorts of things.

Just ten weeks ago we all gathered to watch pomp and pageantry and to hear a Speech from the throne which said that the country was in such good shape that the government planned to put 35 new pieces of legislation on the books. Many of these new laws would require additional staff to carry out the new promises.

Just two weeks ago this house debated and passed new legislation to introduce all sort of new requirements for the handling of pets. The Minister of Agriculture said that this time the government was serious and that it would do all these new things which would require more staff since the existing staff admit that they can't do the things required under the old law. Two weeks ago we could all reasonably expect that the government was planning to hire more people.

One week ago, the Prime Minister and the Minister of Finance came in this place and in less than one hour threw all of that in the trash. He now says that no people are going to be hired. There is no money to do for anywhere else what they did in Elizabeth. The government is broke. Taxes would have to be raised immediately. No people would be hired in the Public Service.

Mr. Speaker where this Country is now is a true tragedy. To understand the depth of that tragedy there is much to consider. And thus I urge all to be bear with me.

### (3) PLACING THE BUDGET IN CONTEXT

Mr. Speaker, The Prime Minister is fond of reminding us that this is not the first period of serious economic challenge the country has faced. And he is correct. The usefulness of these reminders is to encourage us all to use those prior experiences to recall what government initiatives worked, to identify lessons from those initiatives which worked, and to consider how those lessons, appropriately updated for altered circumstances, maybe helpful in this context.

When reminding us that this is not the country's first period of serious economic challenge, the Prime Minister is also fond of boasting that he was able to lead the Country out of the period which followed the "Events of 9/11".

Mr. Speaker, it is in the interest of the Country, for the Prime Minister to move beyond this idle self-aggrandizement. This is vital for at least two reasons:

(i) People are hurting. Badly. They want answers and for them to obtain a reasonable response, this national debate has to be about public policy rather than personality.

(ii) the circumstances of post 9/11 differed dramatically from the challenges the Country faces today. The realities of post 9/11 arose because of the sudden and unexpected nature of the attacks of global terrorism and the fall-out from those specific acts. There is little, if anything significant, which is sudden or unexpected about the mess the Country, is now in. In fact, this mess has been a long time in the making -- so much so that to make any reasonable sense of this Budget of pain, it is essential to place it in the context of events since the Country last experienced a comparable degree of economic challenge.

Objectively that last time was 1991. A report from the Inter-American Development Bank points out that in that year GDP declined by 4%. Painful.

The pain was particularly bad because it followed years of growth in GDP – from a rate as high as 4.1% in 1985. Again quite similar to this period. Another comparable is that at the time there was a PM of long tenure i.e. experience, who also was serving as his own Minister of Finance.

### (4) LESSONS FROM HISTORY

The truly wise do not seek to re-invent the wheel. Indeed it is the truly unwise who seek to do so especially from some notion that it is only he or she who has all of the sense. In the interest of time I will identify three lessons from history, which, the record will show

worked to the benefit of the Country as a whole.

(i) Sharing – The Authority as well as The Sacrifice.

(ii) Deepening Transparency not Gimmicks

(iii) Being Seen To Act Beyond Partisan Politics

o Sharing – The Authority As Well As The Sacrifice

One lesson is to do what the current PM is doing – to seek to rally the Country to a period of a shared sacrifice.

However, that same lesson tells us that it is likely to be more helpful if the PM were to also decide to do two additional things which,, so far at least, he has failed to do:

(i) relieve himself of the responsibility for the Ministry of Finance, keeping his role as Prime Minister.

(ii) appoint as his replacement to the Office of Minister of Finance parliamentary a colleague with significant seniority within his political party; one who also commands sufficient respect within the Country that there can be a sense of recessing, the individual. For the benefit of the younger ones in our midst, that appointee in 1991 was The Hon. Paul Adderley who had distinguished himself long before he first became a member of the Cabinet.

Mr. Speaker there was sound reasons for each of these moves.

Firstly, at its root, Governance is about making choices. During times of scarcity, it is particularly important that as choices are made, the widest possible segment of the population obtain and maintain a sense that the choices are grounded in equity and fairness for all. This offers the best chance of maintaining law and order in the short run and the nation's core values for the long run.

This sense of equity and fairness is aided when the ultimate decision maker is not both the jury and the judge on the countless number of choices which must be made in an environment when some perfectly reasonable and justifiable requests have to be denied on the simple basis of a lack of funds.

When a borrower is where the Country is at this time, it is prudent to seek to build confidence by every means possible. This is no time to be hardhead or to operate on the basis that there is not one other person within the entire FNM Parliamentary Group with the capacity to serve as the Minister of Finance.

Thus, Mr. Prime Minister, for once put your Country before your ego and consider carefully whichever member of your Parliamentary Group you truly respect, the one who you believe wide segments of the population see other than as being one of your “yes men”. Interest that person in the role as Minister of Finance. Not Minister of that State for Finance. People know the difference.

Mr. Speaker, these two steps in sharing the authority are likely to significantly increase the probability of favorable response to the calls for the sharing of the sacrifice.

### o Deepening Transparency – Not Gimmicks

Another important lesson from history is that in times like these it is difficult to overstate just how important it is for there to be the fullest possible transparency. This is vital to the minimizing of cynicism – a true enemy of hope, which itself must be a cornerstone for collective reconstruction.

Let's illustrate the reality thereof by reference to the decision of the PM to reduce his salary and that of other Parliamentarians.

At first glance, it is a case of leadership by example. For many it is accepted as a noble thing. However in this climate, that one act is not likely to have the desired effect. After all, consider that large segments of the population drive past an office on Cable Beach and see a sign, which says, "H A Ingraham, Chambers."

What is there to avoid the appearance that the named gentleman, happens also to serve as PM. And if the reference is to the same person, what is there to prevent a perception that the PM is well placed to earned money from whatever happens in those offices. Those who raise such concern are not likely to be impressed because the Prime Minister reduced his Parliamentary income by a few thousand dollars for one year -- no reason to believe that as a result of the decrease the electricity may be disconnected or some child forced out of private school; some mortgage not being paid or some medical need unmet or some car or piece of furniture re-possessed. Remember also that the public knows that the Prime Minister already has a pension coming - one which is very generous – one like no other.

Then, for example, there will be others, believing that the Prime Minister's Deputy is an exceptionally wealthy person, who simply will not see the reduction in his parliamentary salary as any sort of sacrifice. And Mr. Speaker, this is no insignificant point. Times like these can easily help to lead to the re-opening of old wounds with questions, for example, as to the part which the grant of lands, on terms which were not generally available to all, played in the accumulation of that wealth.

The lesson from history Mr. Speaker is that these times demand an exceptional degree of transparency not gimmick, and, in isolation, the move on Parliamentary salaries smacks of gimmickry.

### o Being Seen To Be - Beyond Partisan Politics

A third lesson from history is to understand and appreciate that a call for shared sacrifice stand the best chance of being responded to when the broad public sees evidence of Government going beyond partisan politics.

For example, in 1991 what did the new Minister of Finance do which maybe instructive for us in these times? He appointed a Group of highly respected persons, to help him crystallize the potential choices, which should be made. The Group was clearly appointed without regard to the partisan political preference. The Chairman was the late John

Kennings, a gentleman who, by marriage, was a member of a historically UBP (not just FNM) family. Another member was the current Sir William Allen.

In contrast, the current Prime Minister has for years now ignored call after call for some similar initiative. Each and every time such a call has been ignored; this Government has moved the Country closer and closer to the point where it now is – in need of a Budget of pain.

More broadly, Mr. Speaker, there is much to suggest that the failure of the Prime Minister AND HIS Government to act on the basis that they have studied and learned these lessons from history helped to push us closer and closer to this point where we now need a Budget of pain.

Furthermore it leads to the re-introduction of some moves which history shows have been discredited. Take for example the plan announced last week to dramatically increase taxes on Commonwealth Brewery. This was tried in 1991 – only to be rescinded shortly thereafter in the face of so much evidence that it did not work.

#### (5) GETTING OUT OF THIS MESS

The lessons from history therefore tell us that this Government is not responding to this crisis in ways, which give us the best chance for a meaningful and sustainable recovery. Beyond the context of history, this Budget is tragic for reasons captured as follows by two professors from The College of The Bahamas and reported in the Bahama Journal of May 31, 2010.

“ (This Budget) continues from previous Budgets and the only difference is that we have fallen on hard times and so the normal reaction is lets raise taxes and cut spending, but I don’t see anything in the Budget that speaks to advancing the people and the economy.”

Mr. Speaker, this is a telling point.

It speaks to people who are in real pain. It speaks to people loosing hope. No doubt many yearn for a greater sense that a change in Government would make a difference. The most pained are those who feel betrayed by the promises of 1992.

To all of you, I offer the strongest assurance that the PLP understands where the Country. We know that to get out of this mess and to stay out for any reasonable period, the Country must have:

- (i) a government which is clearer as to what is the end point of the initial period of sacrifice.
- (ii) A government, which is more honest in explaining how, the Country got into this mess.
- (iii) Leaders with a resolve to govern differently – with a focus on what the COB professors above called “advancing the people and the economy.”

These are three critical elements for real and meaningful change.

#### (6) THE WAY AHEAD- FIRST ELEMENT FOR CHANGE

Mr. Speaker, it is vitally important that this period of shared sacrifice be about more than simply getting the GDP to grow again. No doubt that it an important first step but it must be seen as just that – a first step. Shared sacrifice must extend to matters like reducing poverty, reversing the trend of the rich getting richer and the poor poorer; it must include building an economy where there are job opportunities to encourage those who go abroad for higher learning to return home; with initiatives which can help improve the condition for many even in tough economic times.

For example, Mr. Speaker, a recent report from a group of professors at COB points out that in 2006/2007, it cost a sum, which equaled 15% of average household income simply to maintain a car costing \$22,000. This is not sustainable, particularly because with the new Budget finding a car for that price just got a lot harder.

Even in hard times, this country can do better. Another example, Mr. Speaker is the fact that on average each adult is not spending 15% of his or her income on paying just the interest on consumer loans and generally to having the Country better prepared for the next disaster.

#### (7) SECOND CRITICAL ELEMENT FOR CHANGE- HONESTY ABOUT HOW WE GET HERE - LITANY OF MISSED OPPORTUNITIES – MASSIVE FAILURES

Mr. Speaker this Budget of pain is beyond visionless. Why is this so? No-where in this Budget does the Prime Minister accept any responsibility for having in anyway contributed to the mess in which the Country finds itself. This Budget seeks to convince us that everything negative is due to “global economic forces”. That lack of truth makes the Budget fundamentally dishonest. And Mr. Speaker if we are to accomplish any positive goals there is no greater need than for honesty from our Prime Minister.

Thus Mr. Speaker to help the Prime Minister’s appreciate that he and his Government have a great, great deal to do with the mess the Country is now in, I will list a part of the litany of missed opportunities and massive errors for which he and his colleagues is directly responsible.

In search of what it perceived as an increased chance for sustainable progress, the electorate changed Governments on August 19, 1992.

The key commitments of the new Government were to:

- (i) Create jobs at a pace to significantly reduce unemployment
- (ii) Ensure that the jobs were sustainable so as to avoid a recurrence of unemployment levels, which existed at the time.

- (iii) Ensure that the jobs paid sufficiently well that income levels would consistently increase in real terms.
- (iv) Reduce the overall size of the Government so as to unleash the fullest possible power of the private sector.

These commitments were made despite the perceived adverse impact from the First Gulf War. However The Country was assured that prudent management could overcome these global impacts.

Since that time, the same person has been Prime Minister for 13 out of the 18 years. But now he sings a different tune.

Placing this Budget in context causes us to raise the question – why is the good gentleman now singing the different tune on the matter of prudent management verses global forces? Precisely because the specific commitments made from 1992 on jobs and on reducing the size of the Government have simply not been kept.

In fact, all the spin of this Budget cannot conceal the reality that:

(i) The average Bahamian is worse off today than he or she was on August 19, 1992. Overall, the standard of living has declined

(ii) The size of Government has grown at a tremendous rate. For example, the National debt when this Prime Minister first assumed office was in the region of one and quarter billion dollars. Today it is more than three times that and more amazingly by the time this Budget is passed his government would have increased the national debt since May 2007 by about as much as what it was when he first assumed that Office. That is despite the fact that the rate of taxation has gone up by over 15% since he first come to Office and the fact that the rate of growth in the revenues of the Government has increased by more than 50% faster than has the rate of increase in the income of the average citizen.

Yes, Mr. Speaker, this Budget of pain is fundamentally dishonest because while it seeks to blame this mess on “global economic conditions”, the truth is that we are where we are largely because of a litany of missed opportunities and massive errors by our Government, and the realities of global economic conditions now make it impossible for the FNM to continue to hide that fact.

Why?

The independent evidence in support of this reality continues to mount. For example, the CIA World Fact book discloses that from 2006 to 2009 the Bahamian economy contracted by 8% -- higher than the 5.4% world average or the 5.9 experienced in the United States. When confronted with this type of data, the usual FNM spin is to search for some data from Countries within the Caribbean and claim that we are doing so much better than the rest in the Region. The performance of this Government is so bad that it is becoming increasingly less creditable to peruse that strategy. For example, the 8% decline

in our economy is greater than the 6.6% decline experienced in Jamaica or the 5.3% decline experienced in Barbados or the actual growth experienced in Dominica.

Partisan political spin cannot hide the facts. The Bahamas is losing ground in too many areas and there are a litany of missed opportunities and massive errors by this FNM government, which are at the root of the problem.

I will list a few of the more significant missed opportunities and massive errors.

(i) "I Take He Dog An All" Speech

The events of August 19, 1992 offered the Country a most rare opportunity for a sort of new beginning – for advancing the culture of us all moving upward, onward and forward – together.

The stage was perfectly set for the new Prime Minister seize the opportunity with statesmanship and calls for compassion and excellence. But, alas. Instead of showing the bigness of humility, he chose the low road. Regretfully that rare opportunity for transformative change was quickly squandered with a terribly unwise speech about "I take he car, I take he maid, I take he dog an all."

Mr. Speaker, history is likely to be quite harsh on the Prime Minister for having squandered this most rare opportunity to lead this country to a different place.

(ii) "Repeating History By the Low Road"

On May 2, 2007 current PM was given another opportunity to help to usher in a path towards transformative change; change grounded on seeking to inspire our people to be the best they can be; to high standards and hard work; to thrift and accepting individual responsibility; to strong families and functional communities.

Regretfully, the Prime Minister again chose the low road with a bunch of idle talk about firing a broadcaster named, Steve McKinney.

This was another massive failure. Another missed opportunity to have made a substantial deposit into the social capital account of the Country – pushing us further along the path to where we are – with of a Budget of pain.

(iii) GussiMae Cabinet

Another massive error came with the appointment in 2007 of a truly Gussimae sized Cabinet. Salaries and limos and chauffeurs for virtually all and sundry. Plus significant raises for others like you Mr. Speaker.

All pretense of even remembering the 1992 pledge to reduce the size of Government was abandoned. Money flowing with no regard to the reality that good times do not last



forever.

None of this had anything to do with the best interest of the Country in terms of its needs. Instead it was all about buying loyalty and giving rewards and status to the party faithful.

Does anyone need proof? Well consider that it has now been months since the member for Bamboo Town has resigned from the Cabinet. Yet the Prime Minister assures us that the Government has functioned without skipping a beat since he left, saving the public treasury thousands and thousands of dollars. Clear evidence there was overstaffing at the cabinet level.

Well Mr. Prime Minister, please listen to the people .Get rid of more of those Ministers and all of the perks, which go with each. Save money. Reduce the level of sacrifice you are asking each person to make.

#### (iv) Allocation of Portfolios

Another massive error came with the actual appointments of Ministers and the allocation of portfolios.

Whereas the Country's first Minister of State for Finance was Sir William Allan, a person whose very appointment helped to engender confidence because of his background and stature and whereas the Country's second Minister of State for Finance was Mr. James Smith who was widely seen in a similar light, after 2007 the new Minister of State for Finance became a person who was simply not seen as being in the same league as his predecessors to that Office. Nothing in this is personal to the Member for Marco City. I simply point to a record, which even the most partisan FNM operative, with objectivity, would recognize.

In terms of the allocation of portfolios, the abolition of the Ministry of Financial Services and Investments is now widely seen as having been unwise. In fact, this year's Budget with its allocation of some funds to help facilitate an overseas trade promotion initiative is a sort of back door acknowledgement that today something significant is missing.

#### (v) Failure Of Stewardship

In his Budget Communication of 2007/2008 the Prime Minister acknowledged that he had inherited an economy with remarkable revenue buoyancy. Without doubt, with more buoyancy than he had left five years prior. He himself called the overall outlook “positive.”

His Government became stewards of “a good situation”.

What did they do with this “good situation”?

Despite all of the talk about being “fiscally disciplined” the new FNM Government

consciously set out to increase the deficit in absolute terms and in relationship to GDP, DESPITE the anticipation of a 10% growth in the recurring revenue.

The path to reckless was in full swing before there was any talk about “global economic recession”. It is amazing Mr. Speaker. There is no evidence as to any consideration that global circumstances may change. No plan to put anything away for the proverbial “rainy day”. I repeat -- all despite an anticipated increase in the recurring revenues of 10% on grounded on the favorable economy, which had been inherited. My fellow citizens, when last have you gotten a ten percent raise – in one year?

Mr. Speaker, this policy to tax plenty, borrow more and spend all was the plan was another massive error, which helps to explain why we are where we are – with a Budget of pain.

#### (vi) Stop , Review & Cancel Policy

Another serious error by the Government was its Stop, Review and Cancel Policy. This is not just the view of the Opposition in Parliament but also that of the International Rating Agency.

And sadly the full effects of this unwise policy are still not yet all in the books. After all it is highly likely that the government will have to end up being responsible for the payment of legal fees from Actions, which have resulted. Should that happen it is quite possible that the quantum will be greater than the sum by which this Budget of pain slashes the subventions to several private schools.

So parents, when you can no longer afford to provide your children with the quality of education you had planned for them do not fall for the FNM propaganda about “global economic forces”- instead think “stop, review, and cancel.”

#### (vii) Making A Mockery of The Matter of Trust

Before bringing to Parliament this Budget of pain, The Prime Minister went on the record in expressing his regret that he had not been able to get the Bahamian public to understand just how serious the Country’s financial condition was.

This is amazing because it shows that the Gentleman is terribly lacking in something serious.

When one party in a dialogue is unable to get the other party to accept something, which the talker sees as so important and so apparent, there is often truly a matter of Trust. Quite often, there is a breach in that Trust. Typically the listener is simply saying in effect “I do not believe you”. More often than not the disbelief is grounded in the listener having seen too much of a difference between the words and the actions of the talker.

Mr. Speaker that is the reality of the Bahamas.

The disconnect between the “money cannot done” program in Elizabeth, the “Lets expand

the Government” Speech from the Throne and this Budget of pain and hiring freeze makes a mockery of the very concept of Trust.

Mr. Speaker, I could go on and on in the identification of the litany of missed opportunities and massive errors which account for us all being where we are -- with a Budget of pain. For example, I could speak about the failure to have been open about the Mona Vie scandal; or the neglect of Grand Bahama even in the face of a level of unemployment which is greater than at any time in recorded history; or a failure to have been proactive in seeking to have the Country derive real benefits from having signed the European Partnership Agreement; or a failure to have finalized the privatization of BTC despite the millions and millions of dollars which have been spent on the effort -- and on and on.

### (8) THIRD KEY ELEMENT FOR CHANGE – FOCUS ON “ADVANCING THE PEOPLE”

I end with the following summary:

- (i) Mr. Speaker I encourage the people of the Bahamas to see this Budget for what it really is – global economic conditions prevent this FNM Government from hiding any longer.
- (ii) For those of you who ask what would the PLP have done differently, please look at the identified litany of missed opportunity and massive errors and you will see enough to understand that the PLP offers a real choice and a better way – reground on our most core value – “advancing the people”.

Mr. Speaker, this Budget of pain provides a comprehensive and compelling case that the Bahamas needs change. Rest assured that, each and every day, the PLP is preparing itself to bring that CHANGE.

**-- end --**